

Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 EB-07 SS-15 INR-07 SP-02 /041 R

DRAFTED BY EA/EP:RHIMUS:LMG
APPROVED BY EA/EP:AGEBER
EA/IMS:WSHEPARD
EA/PRCM:MVON BRIESEN
EB/IFD/ODF:JRABENS

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R 240213Z JUL 76
FM SECSTATE WASHDC
TO AMCONSUL HONG KONG
AMEMBASSY SINGAPORE

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STADIS////////////////////////////////////

E.O. 11652: N/A

TAGS: EAID, EFIN

SUBJ :U.S. POLICY TOWARD ADB LOANS TO SINGAPORE AND HONG
KONG

REF: SINGAPORE 2359

1. SUBJECT OF ACCESS OF REASONABLY WELLOFF LDC'S, SUCH
AS HONG KONG AND SINGAPORE TO THE FACILITIES OF THE ADB
HAS BEEN UNDER ACTIVE DISCUSSION HERE. LATEST DEVELOPMENS
A REQUEST BY AUSTRALIA THAT THE BANK ABOLISH ITS POLICY OF
CHARGINGHONGKONG AND SINGAPORE A PREMIUM INTEREST RATE,
HAS INJECTEDNEWISSUEINTO THE DISCUSSION AND DELAYED FOR
THE MOMENT ANY RESOLUTION OF THIS PROBLEM.

2. GENERALLY, ALL NAC AGENCIES AGREE THAT SCARCE DEVELOP-
MENT FUNDS FROM INTERNATIONAL DEVELOPMENT LENDING INSTI-
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TUTIONS SHOULD FLOW MAINLY TO THOSE COUNTRIES WITH

INADEQUATE ACCESS TO OTHER FINANCIAL SOURCES. THIS POLICY ALSO ACCORDS WITH CONGRESSIONAL SENTIMENT THAT OUR ASSISTANCE SHOULD BE DIRECTED TOWARD THE WORLD'S POOREST. SPECIFICALLY, IT IS GENERALLY FELT HERE THAT THOSE

COUNTRIES WHICH (A) HAVE ACHIEVED ANNUAL PER CAPITA INCOMES IN EXCESS OF \$1000, (B) ARE MAINTAINING RATES OF GROWTH WELL ABOVE THOSE OF THE AVERAGE LDC, (C) HAVE GOOD CREDIT RATINGS AND GOOD ACCESS TO COMMERCIAL CREDITS AND (D) FACE NO UNUSUAL THREATS TO STABLE GROWTH SHOULD HAVE THEIR ACCESS TO BANK FACILITIES KEPT TO A MINIMUM, BEING USED ONLY IN EXCEPTIONAL CIRCUMSTANCES. SUCH A POLICY APPEARS PARTICULARLY APPLICABLE TO HONG KONG AND SINGAPORE, GIVEN THE PRESENT THINNESS OF ADB RESOURCES AND THE FACT THAT THESE TWO COUNTRIES CAN BORROW ALMOST AS CHEAPLY FROM THE COMMERCIAL MARKET AS FROM THE ADB.

3. AT SAME TIME, WE RECOGNIZE THERE MAY BE INSTANCES WHERE EXCEPTIONAL NEEDS OF THESE GOVERNMENTS MAY MAKE SOME ADB FINANCING APPROPRIATE. IN SUCH CASES, HOWEVER, WE FEEL ACCESS TO THE ADB FACILITIES MUST BE LIMITED TO OCCASIONAL, MODEST LOANS AT COMMERCIAL RATES FOR SOCIAL DEVELOPMENT PROJECTS, FINANCING FOR WHICH IS NOT READILY AVAILABLE ELSEWHERE. THE U.S. POSITION ON SPECIFIC LOANS WOULD HAVE TO BE MADE ON A CASE BY CASE BASIS IN ACCORDANCE WITH THE ABOVE CRITERIA.

4. RETENTION OF DIFFERENTIAL INTEREST RATE FOR HONG KONG AND SINGAPORE IS AN ESSENTIAL PART OF THIS GENERAL POLICY. WE ARE INCLINED THEREFORE TO SUPPORT CONTINUED USE OF THE RATE AS BEING IN THE BEST INTERESTS OF BOTH HONG KONG AND SINGAPORE AND THE BANK. WITHOUT THE PREMIUM INTEREST RATE, ON THE OTHER HAND, THERE WILL BE STRONG PRESSURE HERE TO "GRADUATE" BOTH HONG KONG AND SINGAPORE ENTIRELY FROM ADB FACILITIES. ALTHOUGH OTHER MEMBERS MAY NOT AGREE WITH OUR POSITION AND LOANS MAY GO THROUGH IN ANY CASE, WE DO NOT WANT TO BE PUT IN POSITION OF VOTING CONSISTENTLY AGAINST HONG KONG AND SINGAPORE IN SUCH A CASE.
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5. YOUR VIEWS ON THIS QUESTION, PARTICULARLY ON THE APPROACH OUTLINED IN PARA. 3 WOULD BE APPRECIATED. PLEASE REPLY THROUGH STADIS CHANNEL. ROBINSON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, LOANS, DEVELOPMENT BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUL 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE183998
Document Source: CORE
Document Unique ID: 00
Drafter: RHIMUS:LMG
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760285-0918
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760724/aaaaauth.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: 76 SINGAPORE 2359
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2004 by BoyleJA>; APPROVED <17 SEP 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: :U.S. POLICY TOWARD ADB LOANS TO SINGAPORE AND HONG KONG
TAGS: EAID, EFIN, SN, HK, US, ADB
To: HONG KONG SINGAPORE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006